



# 2007

## ANNUAL REPORT

**EXTENDED HEALTH CARE PLAN FOR  
CERTAIN OTHER EMPLOYEES**



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# Letter of Transmittal



His Honour, The Honourable Dr. Gordon L. Barnhart  
Lieutenant Governor of the Province of Saskatchewan  
Government House  
4607 Dewdney Avenue  
Regina, Saskatchewan  
S4P 3V7

Dear Sir:

## Letter of Transmittal

I have the honour to transmit herewith the eleventh Annual Report of the Extended Health Care Plan For Certain Other Employees for the year ending December 31, 2007.

I have the honour to be, Sir,

Your obedient servant,

A handwritten signature in black ink, appearing to read "Rod Gantefer". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Rod Gantefer  
Minister of Finance

## Letter of Transmittal

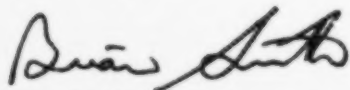
The Honourable Rod Gantefoer  
Minister of Finance  
Regina, Saskatchewan

Sir:

### Letter of Transmittal

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the eleventh Annual Report of the Extended Health Care Plan For Certain Other Employees for the year ending December 31, 2007.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Brian Smith". The signature is fluid and cursive, with the first name "Brian" and last name "Smith" clearly distinguishable.

Brian Smith  
Assistant Deputy Minister  
Public Employees Benefits Agency

# **Extended Health Care Plan for Certain Other Employees**

## **Introduction**

The Extended Health Care Plan For Certain Other Employees was established on January 1, 1997.

The Fund is used to account for the transactions of the Extended Health Care Plan For Certain Other Employees which provides health care benefits to certain out-of-scope employees.

As at December 31, 2007, participation in the Plan has been approved by the Lieutenant Governor in Council for out-of-scope employees of the Government of Saskatchewan as defined under *The Public Service Act*.

## **Advisory Committee Members**

Brian Smith  
Saskatchewan Finance (PEBA)

Don Zerr  
Public Service Commission

Kevin Wilson  
Saskatchewan Health

Will Loewen  
Public Service Commission

## **Participating Employers**

The following employers participate in The Extended Health Care Plan for Certain Other Employees:

Board of Arbitration under *The Surface Rights Acquisition and Compensation Act* (The)  
Chief Electoral Officer (Office of the)  
Children's Advocate (Office of the)  
Farm Land Security Board  
Horned Cattle Fund  
Information and Privacy Commissioner (Office of the)  
Milk Control Board  
Ombudsman (Office of the)

Saskatchewan Archives Board  
Saskatchewan Municipal Board

The Government of Saskatchewan with respect to members of the Public Service of Saskatchewan as defined under *The Public Service Act, 1998*

## **Administration**

The Public Employees Benefits Agency has established a fund pursuant to *The Financial Administration Act, 1993* for the purpose of providing benefits under the Plan. An Advisory Committee is responsible for the management and investment of the Fund. The Advisory Committee consists of 4 representatives as nominated by the Saskatchewan Public Service Commission and appointed by Minister's Order.

The Plan pays premiums to Group Medical Services who provide insured extended health coverage. The Plan's risk is limited to the payment of premiums.

## **Funding**

Funding for members covered is employer paid as follows:

- effective January 1, 1997 – 1.0% of straight time annual payroll;
- effective July 1, 2002 – 1.25% of straight time annual payroll;
- effective July 1, 2003 – 1.35% of straight time annual payroll.
- effective July 1, 2006 – 1.55% of straight time annual payroll

## **Benefits**

An employee is eligible for benefits at the start of the pay period immediately following a 6 month period of employment.

Claims are paid on behalf of all family members and covers certain health and vision care benefits.

## Management's Report

To the Members of the Legislative Assembly of Saskatchewan

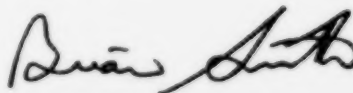
As members of management of the Extended Health Care Plan For Certain Other Employees, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.


We believe the Extended Health Care Plan For Certain Other Employees has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

An advisory committee, as nominated by the Public Service Commission and appointed by Minister's Order, has been established and is responsible for reviewing the ongoing operations of the Plan.

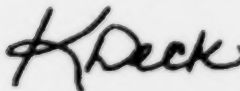
We enclose the financial statements of the Extended Health Care Plan For Certain Other Employees for the year ended December 31, 2007 and the Provincial Auditor's report on these financial statements.



Brian Smith  
Assistant Deputy Minister  
Public Employees Benefits Agency



Perry Bahr  
Director, Benefit Programs  
Public Employees Benefits Agency



Kathy Deck  
Director, Financial Services  
Public Employees Benefits Agency

Regina, Saskatchewan  
February 26, 2008





## **Extended Health Care Plan For Certain Other Employees**

### **Financial Statements**

**Year Ended December 31, 2007**

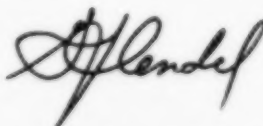
# Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Extended Health Care Plan For Certain Other Employees as at December 31, 2007 and the statements of operations and net assets, and cash flows for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Regina, Saskatchewan  
February 26, 2008

Fred Wendel, CMA, CA  
Provincial Auditor

**Extended Health Care Plan For Certain Other Employees  
Statement of Financial Position**

**Statement 1**

**As At December 31**

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Due from General Revenue Fund (Note 3)	\$ 239,636	\$ 539,499
Short -Term Investments (Note 4)	1,577,020	870,771
Employer contributions receivable	209,591	168,174
Accrued interest income	-	4,377
Prepaid expenses	<u>1,152</u>	<u>175</u>
	<u>2,027,399</u>	<u>1,582,996</u>
 <b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 7)	1,008	1,063
Advance from General Revenue Fund (Note 5)	<u>65,000</u>	<u>65,000</u>
	<u>66,008</u>	<u>66,063</u>
 Net assets (Statement 2)	<u>\$1,961,391</u>	<u>\$1,516,933</u>

(See accompanying notes to the financial statements)

**Extended Health Care Plan For Certain Other Employees  
Statement of Operations and Net Assets**

**Statement 2**

For The Year Ended December 31

	<b>2007</b>		<b>2006</b>
	<b>Budget (Note 8)</b>	<b>Actual</b>	<b>Actual</b>
<b>REVENUES</b>			
Employer contributions (Note 1)	\$2,240,500	\$2,420,126	\$1,998,593
Other contributions (Note 7)	-	-	135,228
Interest income (Notes 3 & 4)	60,400	64,057	47,332
	<u>2,300,900</u>	<u>2,484,183</u>	<u>2,181,153</u>
<b>EXPENSES</b>			
Insurance premiums	1,950,000	2,021,061	1,956,263
Administration (Note 7)	37,927	18,664	21,696
	<u>1,987,927</u>	<u>2,039,725</u>	<u>1,977,959</u>
Surplus for the year	312,973	444,458	203,194
NET ASSETS, BEGINNING OF YEAR	<u>1,516,933</u>	<u>1,516,933</u>	<u>1,313,739</u>
NET ASSETS, END OF YEAR (Statement 1)	<u>\$1,829,906</u>	<u>\$1,961,391</u>	<u>\$1,516,933</u>

(See accompanying notes to the financial statements)

**Extended Health Care Plan For Certain Other Employees  
Statement of Cash Flows**

**Statement 3**

**For The Year Ended December 31**

	<u>2007</u>	<u>2006</u>
<b>Cash flows from (used in) operating activities:</b>		
Employer contributions received	\$ 2,378,709	\$ 2,110,977
Interest income received	61,005	42,955
Insurance premiums paid	(2,023,276)	(1,804,919)
Administration expenses paid	(17,481)	(20,971)
<b>Cash flows from operating activities</b>	<u>398,957</u>	<u>328,042</u>
<b>Cash flows from (used in) investing activities:</b>		
Purchase of investments	(5,406,620)	(4,318,746)
Proceeds from disposal of investments	4,707,800	3,447,975
<b>Cash flows used in investing activities</b>	<u>(698,820)</u>	<u>(870,771)</u>
Net decrease in Due From General Revenue Fund	(299,863)	(542,729)
DUE FROM GENERAL REVENUE FUND, BEGINNING OF YEAR	<u>539,499</u>	<u>1,082,228</u>
DUE FROM GENERAL REVENUE FUND, END OF YEAR	<u>\$ 239,636</u>	<u>\$ 539,499</u>

(See accompanying notes to the financial statements)

## **Extended Health Care Plan For Certain Other Employees Notes to the Financial Statements**

**December 31, 2007**

### **1. Description of the Plan**

The Extended Health Care Plan For Certain Other Employees (Plan) was established on January 1, 1997 pursuant to subsection 64(2) of *The Financial Administration Act, 1993*. The Plan provides extended health care benefits to certain out-of-scope employees of the Government's ministries and other agencies.

The Plan is funded by employers, whose participation in the Plan has been approved by the Lieutenant Governor in Council. The Minister of Finance approved the contribution rate of 1.55% of regular payroll.

The Government, through the Minister of Finance, entered into an agreement with Group Medical Services (GMS) to provide eligible employees with extended health coverage that expired on December 31, 2007. A new 2 year agreement effective January 1, 2008 has been negotiated with GMS. The Plan pays premiums for eligible employees to GMS as set out in the agreement. The Plan's risk is limited to the payment of these premiums.

The Public Employees Benefits Agency (PEBA) manages the Plan under direction from the Advisory Committee. The Advisory Committee is made up of employers' representatives appointed by Minister's Order.

### **2. Significant Accounting Policies**

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered significant.

#### **a) Employer Contributions**

Employers are billed premiums at the end of each month. Premiums are recognized as revenue when due.

#### **b) Interest Revenue**

Interest is recognized as income when earned.

#### **c) Advance from General Revenue Fund**

The advance is payable on demand and valued at settlement amount which equates to fair value.

d) Financial Instruments

Effective, January 1, 2007, the Plan adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855 -Financial Instruments-Recognition and Measurement. Under these new standards, all financial assets and financial liabilities must be identified and classified. This classification determines how each financial instrument is measured. The Plan's financial instruments and their classification are as follows:

<b>Financial Instrument</b>	<b>Classification</b>
Due from General Revenue Fund	Held for trading
Employer contributions receivable	Loans and receivables
Short-term investments	Held for trading
Accounts payable and accrued liabilities	Other financial liabilities
Advance from General Revenue Fund	Other financial liabilities

Held for trading financial assets and liabilities are measured at fair value. Changes in the fair value are recognized in the Statement of Operations and Net Assets. For short-term investments, fair value is determined as cost plus accrued income, which approximates market value. Loans and receivables and other financial liabilities are measured at amortized cost. Due to their short-term nature, the amortized cost of these instruments approximates their fair value.

This change in accounting policy did not have a significant impact on the Plan's financial statements at the time of adoption.

e) Recent Accounting Pronouncements

Effective January 1, 2008, the Plan will be required to adopt the CICA Handbook Sections 3862 – Financial Instruments – Disclosures, and 3863 – Financial Instruments – Presentation. Section 3862 provides standards for disclosure of the risks arising from financial instruments to which the Plan is exposed, and how the risks are managed by the Plan. Section 3863 provides standards for the presentation of financial instruments and non-financial instrument derivatives. The Plan does not expect the adoption of these new standards to have a material impact on its financial statements.

3. Due from General Revenue Fund

The Plan's bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. The Plan's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into the Plan's bank account using the Government's thirty day borrowing rate, and the Plan's average daily bank account balance. The Government's average thirty day borrowing rate in 2007 was 4.26% (2006 – 3.95%).

4. Short-Term Investments

Short-term investments are comprised of T-Bills, notes and commercial paper with effective interest rates of 3.9% to 4.8% (2006 - 4.2% to 4.3%) and an average remaining term to maturity of 49 (2006 – 41) days. Investments are purchased through the Treasury and Debt Management Branch of the Ministry of Finance and are subject to the Ministry's investment guidelines. The guidelines require

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that investments must meet a minimum investment standard of "R-1" rating, as rated by a recognized credit rating service.

**5. Advance from General Revenue Fund**

The General Revenue Fund advanced the Plan monies when the Plan began operations. The advance is required because the Plan must pay premiums at the beginning of each month and employer contributions are not received until after the end of each month. The advance is interest-free with no fixed maturity date and is repayable on demand.

**6. Financial Instruments Risks**

The Plan is exposed to minimal credit risk from the potential non-payment of employer contributions receivable as these receivables are from government agencies and were collected shortly after year-end.

**7. Related Party Transactions**

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Plan by virtue of common control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). Related party transactions with the Plan are in the normal course of operations and are recorded at the agreed upon exchange amounts charged by these organizations.

All employer contributions and employer contributions receivable are from related parties. Also, PEBA charged the Plan \$18,664 (2006 - \$21,696) for administration expenses. Included in accounts payable and accrued liabilities is \$1,008 (2006 - \$0) due to PEBA.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

Effective April 1, 2005, Saskatchewan Property Management Corporation changed to the Department of Property Management and became a participating employer. Effective that date all its employees began receiving extended health care benefits through the Plan. On April 17, 2006, the Plan received \$135,228 additional contributions from the General Revenue Fund for the transferring employees.

**8. Budget**

PEBA prepares the budget for approval by the Advisory Committee.





